

## **THE ILLIBERAL STATE ON THE LOCAL LEVEL**

The doctrinal foundations of subnational governance reforms in Hungary  
(2010–2014)

HAJNAL György - ROSTA Miklós

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György HAJNAL<sup>1</sup> and Miklós ROSTA<sup>2</sup>

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## **Abstract**

*The study attempts to reveal the doctrinal foundations of Hungary's sweeping subnational governance reforms (SGRs) having taken place in the 2010-2014 period. In particular, it seeks to answer the questions (i) which one of the most important reform doctrines actual SGRs in Hungary resemble the most, and (ii) what are the idiosyncratic doctrinal features of these reforms, making them substantially different from other, mainstream reform doctrines. On the basis of the analysis of 17 SGR steps in a comparative analytical framework the study concludes, firstly, that Hungary's reform path substantially diverges from all three major reform paradigms examined – i.e., the New Public Management, New Public Governance, and the Neo-Weberian State. A second conclusion is that this deviation is not of an unintended or accidental nature; rather, it seems to be part of a coherent and rationally pursued vision of (subnational) reforms possibly referred to as “illiberal state”.*

The – perceived as well as real – failures of New Public Management, coupled with the acute need to manage and to respond to the budgetary and economics crisis, triggered diverse responses on the part of governments. The theoretical background of these diverse reform waves are often labeled by such names as post-NPM, Neo-Weberian State, or New Public Governance, to mention but a few. It is this broad context, in which – and, to a substantial extent, against which – the radical governmental, including local governmental, reforms of FIDESZ-led Hungary appeared. The ambition of the article is twofold. Firstly, it identifies and describes the doctrinal foundations underlying the Hungarian local government reforms. Secondly, it puts this set of doctrines in a comparative perspective, thereby hoping to contribute to a better understanding of why and how

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<sup>1</sup> Corvinus University of Budapest and Institute for Political Science, the Centre for Social Science of the Hungarian Academy of Sciences (IPS CSS HAS)

<sup>2</sup> Corvinus University of Budapest

Hungary's reform path fits into and diverges from many of the European patterns.

## **1 Introduction: The goal and the method of the study**

As part of their overarching changes to the state architecture the FIDESZ-led government implemented, in several major steps having taken place in the 2010–2014 governmental cycle, a fundamental re-shaping of Hungary's subnational governance system, including elected local and territorial government.<sup>3</sup> The broader state reforms – extending to Hungary's constitution, all fundamental political institutions (the legislature, the elections system, the judiciary as well as the system of independent checks and balances) as well as many substantive policy areas – are revolutionary not only according to the governmental rhetoric. Many elements, though definitely only a minority, of these reforms received intense international political and media attention and triggered concerns of possible violation of basic principles of rule of law and liberal democratic values (Tavares 2012, Krugman 2012, Scheppele 2011). Nevertheless, systematic scholarly interpretations and assessments of these changes – being part, according to some interpretations, of a broader 'illiberal turn' (see the symposium in the 2012 July issue of the *Journal of Democracy*) in Central and Eastern Europe and thus having a geographically much broader significance – are still severely lacking (although see e.g. Hajnal 2014).

### **1.1 *Ambitions and research questions***

This study seeks to fill some of this gap by scrutinizing one specific area of Hungary's governance reforms: namely, the subnational governance reform (hereinafter: SGR) having taken place since 2010. Our ambition in this regard is twofold.

Firstly, we wish to give a description of SGR. We understand SGR more or less as a well-circumscribed set of 'deliberate changes to the structures and processes' taking place both within subnational organizations as well as between subnational and national level organizations 'with the objective of getting them (in some sense) to run better' (Pollitt – Bouckaert 2011:2). Most pre-existing attempts at describing the sub-national dimension of governance reforms focused on particular – though definitely important – aspects such as (elected) self-government (Dobos – Soós 2013), territorial state administration (Hajnal – Kovács 2013, Pálné Kovács 2011) or particular local services (Horváth M). In our view, however, these approaches are necessarily incomplete since they disregard

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<sup>3</sup> In a somewhat unusual manner, throughout the study, we talk about 'subnational governance (reforms)', as opposed to, say, 'local government' or 'decentralization' reforms. This is not terminological issue but, rather, a matter of analytical focus. Changes to what is usually called local government (i.e., bodies elected by local/subnational electorates, and apparatuses run by them) happened in a very close interconnection with another set of similarly fundamental reforms to central state apparatuses and their territorial and local (field) offices. Therefore we decided to discuss both sets of reforms. Expressed by an equation, subnational government, in our terminology, is decentralized (or: local plus territorial self-) government plus (deconcentrated though centrally supervised) territorial and local state administration.

the systemic nature – and the qualitatively new patterns emerging out – of reforms composed of such ingredients.

Secondly, we attempt to shed light on the doctrinal foundations of Hungary's SGR. Administrative / governance reforms are typically characterized by some set of (more or less) coherent ideas – that is, an ideology – depicting the (perceived) trajectory of reforms. These ideas extend, among others, to the starting point of the system to be reformed and the problems associated with this initial situation; the purported end state and the benefits associated with that; and the most important means and instruments through which the system is supposed to be governed from the initial to the end state. Throughout the post-1990 era the international discourse was dominated, for long by the doctrine of New Public Management (NPM); in addition, other doctrines such as Neo-Weberian State (NWS), New Public Governance, Good Governance, or post-NPM emerged. There is, however, an important gap here again. Namely: on the one hand – as we will argue in the subsequent sections – Hungary's SGR seems to be driven by a consistent doctrine.<sup>4</sup> On the other hand, however, this doctrine seems to be markedly different from the well-known doctrines populating the discursive and policy arenas of European public administrative reform practices. Therefore our second ambition is to explore the doctrine underlying Hungary's SGR and to locate it in relation to other well-known doctrines of administrative reform.

We will pursue these ambitions by answering the following research questions:

RQ(1): What are the basic features of Hungary's recent (post-2010) SGR? This question extends to a basic description of the SGR's major components, along with their interconnections and the emerging overarching pattern of governance.

RQ(2): To what extent and in what respects does it fit (or doesn't fit) the emerging system of subnational governance into (some of) the most important contemporary doctrines of administrative reform?

RQ(3): On the basis of the patterns revealed in relation to RQ(2) can a new, coherent doctrine – markedly different from the existing ones – of Hungary's SGR be devised and if yes, what are its basic features?

## **1.2 Data and method**

Our answers to the above research questions will be based on the following evidence and method:

- Our answer to RQ(1) will be based on a systematic overview of existing studies, supplemented with documentary analysis of key pieces of legislation.
- In relation to RQ(2) our tasks include (i) identifying the most relevant doctrines of administrative reform, (ii) defining the key analytical dimensions (variables) through which these doctrines can be described

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<sup>4</sup> This doctrine, actually, extends to the entirety of governmental reforms. It is telling that in a sixteen-country European comparative survey of senior public administrators Hungary stood out as the second most 'planned' (as opposed to incident driven) and politically (as opposed to administratively) driven in Europe (Hajnal 2014 pp. 18-19).

and compared in relation to subnational governance reforms; (iii) defining the attribute values implied by the individual doctrines for each analytical dimension; (iv) locating, on the basis of evidence gained from answering RQ(1), Hungary's SGR in the resulting 'prediction matrix'. This method is a version of the method of 'pattern matching' (Yin 2003, Wilson-Woodside 1999).

- Finally, in order to answer RQ(3) we will briefly explore various 'candidate' ideational sources of post-2010 SGR and assess the extent, to which actual patterns of SGR are congruent with the normative 'message' of these sources.

The structure of the paper is as follows. Firstly, in Section 2 we explore the world of doctrines. Specifically, firstly we conceptualize the very notion of administrative reform doctrine; then we identify the relevant doctrines available internationally; finally we briefly describe, and relate to the above, Hungarian (proto-) doctrines. Section 2 ends with a set of operationalized propositions regarding the SGR-specific implications of different administrative reform doctrines. Section 3 goes on to describe Hungary's SGR – firstly as a narrative 'story' and then by examining the reforms' features in terms of the analytical dimensions identified in Section 2. The paper ends with a concluding section.

### ***1.3 Context matters: A note on the separability of subnational and overall governance reforms***

As briefly noted above, Hungary's post-2010 SGRs were shockingly abrupt and radical. However, they happened not in isolation but within a much broader framework of fundamental set of institutional, procedural and policy reforms (for a rough description see Hajnal 2014), many elements of which – such as the constitutional and the electoral reforms – were probably of even greater significance. Moreover, as we argued elsewhere (ibid.), this broader set of reforms are outstandingly top-down and coherent. This means that the various component parts interact with – frequently: mutually reinforce – each other, or at least modify and moderate each other's effect.

So is the case with the SGRs analyzed in this study. In order to better understand them, therefore, we occasionally have to make reference to some broader reform elements featuring important implications for subnational governance. For example, sweeping changes to civil service legislation and practices – abolishing the last remnants of labour protection and turning civil and public servants defenceless vis-à-vis top-down political influence – affect not only local and territorial governance but the entire public sector. Still their effect is so important in the SGR area to that we cannot escape mentioning them. Another one of the many possible examples is the changes to the Freedom of Information (FoI) legislation introduced by the government, affecting the entire public sector but at the same time having particular relevance to the description and classification of SGRs too.

This limited separability of the genuinely subnational reforms may limit the didactic and analytic sharpness of our line of thought but, we hope, this cost is compensated by the benefit of its increased relevance as well as descriptive and explanatory power.

## **2 Doctrinal foundations of governance reforms: A survey and some propositions**

### ***2.1 The concept of reform doctrine***

In the following we are going to outline some of the major doctrines of administrative reform that seem applicable in understanding Hungary's recent SGR. Before doing so, however, we should pause for a minute and examine whether, and if yes to what extent and in what sense(s), it is meaningful to talk about doctrines. In accordance with our definition given in the Introduction, throughout this study we use the term '(administrative reform) doctrine' to refer to a set of more or less coherent, normative ideas describing the current and the planned end-state of governance arrangements, along with some guidelines of how to get from here to there. The significance of this concept lies, firstly, in the presumed fact that most or all administrative reforms – that is, conscious and purposively rational governmental efforts to change existing governance arrangements – are characterized by some ideational underpinning: a doctrine.<sup>5</sup> Secondly, these doctrines are supposed to have some extent of explanatory power in relation to the rhetoric, decisions, actions and outcomes of reform activities.

With regards to the former presumption we formulate several notes of caution.

- We don't imply that reform practices taking place in different places and times are actually characterized by the same normative underpinning. Not only seemingly similar reforms but also their normative underpinnings may sharply differ in reality (see, for example, the sharp differences in 'anti-statism' exhibited by NPM reforms in Anglo-Saxon *versus* Scandinavian countries; cf. Pollitt-Bouckaert 2011). Notwithstanding these differences there can be, and there indeed are, important commonalities in the normative underpinnings of particular reforms. It is this commonality (logical conjunction) that we call the doctrine of the reforms at hand.
- Another problem is that the longer the time perspective and the larger the geographical, political, cultural etc. diversity of particular reform contexts, the larger the heterogeneity of normative underpinnings. Consequently, the scope of any particular doctrine will converge to zero. We devise no strict concept or algorithm to define the boundaries of any particular reform doctrine. Rather, we start out – as a sort of pragmatic and, in the academic community, broadly shared heuristic – from existing, more or less conventional claims regarding administrative doctrines.
- Finally, we exclude from our concept of paradigm those models that are defined in predominantly geographical terms (such as 'the

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<sup>5</sup> Note that different authors use different terms to refer to similar concepts and, vice versa, use the term 'doctrine' to refer to different concepts. For example, Hood (1991) calls NPM a 'trend' (and, unlike ourselves, not a 'doctrine') that is, in turn, characterized by different 'doctrines' (such as greater competition).

French/Napoleonic', 'the Nordic' or 'the Germanic' model; cf. Pollitt – Bouckaert 2011:19: 'national and regional models' with primary reference not to the future but to the past). A doctrine, in our view, should have an explicitly generic geographical scope of relevance, extending to more than a country or a well-defined, homogeneous set of countries.

The second, more implicit presumption underlying the concept of administrative doctrine is that the normative underpinnings of reforms have something important to tell about the reforms themselves. In some cases this may amount to explaining them (or certain aspects, intended or unintended effects of them); in other cases they tell something about the reformers and the political and ideational context in which the reforms were conceived. This means that we do not imply an unambiguous arrow of causation linking doctrine as a cause with actual reforms as a (set of) effects or consequences. Rather, for the sake of the current study we treat doctrines as something important *per se*.

## **2.2 Major doctrines of administrative reform**

In this sub-section we set out to identify and briefly describe the administrative reform doctrines most relevant in understanding Hungary post-2010 SGRs. There is no logically closed and strict algorithm either of defining the (entire) set of contemporary reform doctrines or of defining their subset the elements of which are the 'most relevant' from the perspective of our current purposes. Consequently, we base our selection of doctrines, firstly, on a survey of recent academic scholarship on reform doctrines in general (at the core of which we see Pollitt – Bouckaert 2011, Osborne 2006 and 2010) and, secondly, on our judgment regarding the usefulness of particular doctrines in understanding Hungary's SGRs.

On the basis of these considerations we define the following reform doctrines as most relevant in locating Hungary's SGRs in terms of their ideational foundations:

- (a) New Public Management (NPM);
- (b) Neo-Weberian State (NWS);
- (c) New Public Governance (NPG)

There is a relative abundance of authoritative literature describing these doctrines in a comparative manner (see, for example, Osborne 2006 and 2010b), sometimes – as in Pollitt – Bouckaert (2011) – with a purpose similar to ours; that is, in order to classify, in some sense, public administration /management reforms. Therefore we do not intend to redo the tasks performed by these contributions; that is, we neither define the various doctrines in exact terms nor describe their major claims, content, development and 'real-life career'. Rather, we focus only on their most distinctive features related, in particular, to reforms happening at the subnational levels. Moreover, throughout the paper (unless otherwise indicated), we focus on the normative claims, as opposed to actual practice, attached to the different doctrines. This is an important distinction since proponents' normative ideas occasionally may be in sharp contrast with actual practices.



The following table briefly summarizes the key differences between the three doctrines.

Feature	Doctrine		
	NPM	NWS	NPG
Theoretical roots	Rational / public choice theory and management studies	Political science, public policy and management studies	Institutional and network theory
Core claim / Emphasis	To make government more efficient and 'consumer-responsive' by injecting businesslike methods Management of organizational resources and performance	To modernize the traditional state apparatus so that it becomes more professional, more efficient, and more responsive to citizens. Businesslike methods may have subsidiary role in this, but the state remains a distinctive actor with its own rules, methods, and culture.	To make government more effective and legitimate by including a wider range of social actors in both policymaking and implementation. Some varieties of governance explicitly rest on a 'network approach, and most of them emphasize horizontality' over vertical controls. Negotiation of values, meaning and relationships
Nature of the state	Regulatory	Unitary (i.e., not plural / pluralist)	Plural and pluralist
Central coordination mechanism	Market and classical or neoclassical contracts.	Authority exercised through a disciplined hierarchy of impartial officials	Networks and relational contracts
Key instruments	Contracting out, performance measurement, executive agencies, PPPs	Performance measurement, transparency / FOI, contracting out, executive agencies, service user boards	PPPs, transparency / FOI, service user boards, contracting out
Politician vs. civil servant	Strategic goal setting vs. professional & empowered	Decision making of all sorts vs. technical implementation	Guarantors of compromise deals between multiple stakeholders vs.

roles	managers	informed by high-quality technical expertise and professional ethics	negotiators and network managers
Value base	Efficiency of competition and the marketplace	Public sector ethos	Dispersed and contested
Key sources	Hood (1991), Osborne and Gaebler (1992) Osborne (2010)	Drechsler and Kattel (2008); Pollitt-Bouckaert (2011: Chapter 4)	Osborne (2010); Pierre and Peters (2000)

*Source: Based on Pollitt – Bouckaert (2011:22, and25, and 169–170) and Osborne (2010: 10)(slightly modified and collated)*

In order to create a framework for empirically analyzing SGRs, the key task is to find analytical dimensions, in which reforms possibly informed by the three doctrines can be compared. (The method suggested here resembles the 'pattern matching' type of case study design; see Lange 2013, Yin 2003). These analytical dimensions are, ideally, supposed to satisfy a number of important but difficult-to-meet criteria not frequently confronted by existing scholarship.

- a) Unlike most scholarship focusing on reform doctrines, they have to be related not to administrative/governance reforms in general. Rather, they have to regard the subnational level of governance. The key difficulty here is that SGRs have their specific agendas and issues (such as optimal scaling of territorial units, or the extent of territorial equalization, to mention but a few), many of which are not, or are only quite indirectly and vaguely, related to the defining characteristics and issues of generic reform doctrines. Consequently, it is difficult to deduce SGR-specific implications from the reform doctrines.
- b) The analytical dimensions identified should, at least ideally, cut across (i.e., be relevant to) all three doctrines. In other words: all three doctrines should have at least some implications regarding every analytical dimension. The difficulty here is that the different doctrines put forward different reform issues; thus e.g. NPM may have direct implications for Issues A and B but no recognizable implications for Issues C and D, with NPG just the other way around.
- c) Finally, the purpose of the exercise is not the creation of some abstract comparative typology. Rather, the point is to create analytical categories that are directly applicable to the Hungarian SGRs as they happened in the given time period. The difficulty herein lies with the fact that (i) even if a reform component satisfies both of the above criteria) the examined set of reforms may simply omit that component, and/or (ii) we may simply not have any empirical basis for examining it.

Unfortunately, reality does not always easily fit into the methodical requirements of researchers: there are few, if any, reform components/features/techniques, regarding which all of the three reform doctrines discussed here have something to say. As Pollitt and Bouckaert's 'dishes and menus' metaphor suggests (2011:24-25), there are instruments (dishes) that belong to more than one doctrine (menu). We may add that, in addition to simply 'not containing' certain dishes, some menus (i.e., doctrines) may exhibit different degrees of an – explicit or implicit – rejection of, or misfit with, certain dishes. For example, FoI is not a particularly important element of the NPM menu, but neither it is in conflict with it. To the contrary, perhaps, the idea of PPPs – especially of the sort in which core state functions are taken over by private sector actors such as it is the case with privatizing prisons – is to some extent rejected by the NWS paradigm.

### **2.3 A framework for analyzing SGRs**

Our analytical framework proceeds from a higher, abstract level towards the more operational levels. We propose six analytical dimensions for comparing ideal-typical reforms with Hungarian reform realities. These are the following:

(a) Separation of politics from administration dichotomy, (b) State as the main facilitator of solutions to the new problems of society, (c) Strengthening input based legitimation, (d) Strengthening output based legitimation by means of by means of creating an ever-strong performance regime and businesslike management tools, (e) Centralization – Decentralization, (f) Using market, network or hierarchical coordination, and, finally, (g) Rule of law.

The relation (or “correlation”) between a particular reform doctrine and the analytical dimensions is, wherever possible, marked with a somewhat simplistic “+”, “0” or “-“ sign. If a doctrine does not imply any association (either positive or negative) with a specific dimension, it is marked with 0. Likewise, “0” signifies the situation in which we find the claims and arguments presented in the relevant literature so controversial that we could not, or did not want to, decide for an unambiguous “-“ or “+”. It must here be emphasized that neither direction is regarded as ‘good’ or ‘bad’.

The implementation of reform measures associated with the doctrines – some of which are, for the sake of illustration, mentioned in the below table – leads to a shift along the given dimension.

*Table 2* summarizes the analytical framework used here. Subsequently we go on to define, based on a brief review of authoritative scholarship, each dimension.

Table 2. Analytical framework for comparing ideal-typical reforms

<b>Dimensions of PA reforms</b>	<b>NPM</b>	<b>NWS</b>	<b>NPG</b>	<b>Some reform components, which can be linked to a given doctrine</b>
<i>Separation of politics from administration dichotomy (Dimension A)</i>				
This dimension expresses whether a reform promotes the separation of political decision-makers from professional bureaucrats (+)	-	+	0	Career type civil service system (e.g. protection against arbitrary dismissal etc.)
				Insulation of the function of local government chief executive officers from that of the mayor
<i>State as the main facilitator of solutions to the new problems of society (Dimension B)</i>				
This dimension expresses the extent, to which a particular reform facilitates state disposal over financial and intellectual resources in order to offer meaningful	-	+	-	Creation and funding of think tanks either run by the state or close to the government (not subnational!)
				Restriction of resources available to other, non-state social spheres (raising tax burden, restriction of foreign funding to NGOs, decrease of state funding to NGOs, decrease of contracting out)

proposals regarding the gravest social issues as well as their feasible solution.				Nationalization of industry sectors (such as public utilities); excessive regulation of business activities
<i>Strengthening input based legitimation (Dimension C)</i>				
This dimension expresses whether a particular reform is designed to increase (+) the input-based legitimacy of the politico-administrative system	-	+	0	Electoral reform involving direct election of political office holders (such as mayors)
				Relying on / nurturing consultative mechanisms in the policy formulation and implementation processes (tripartite structures, user boards, social consultation etc.)
				FoI legislation
				Ethics codes for civil servants
<i>Strengthening output based legitimation by means of a strong performance orientation (Dimension D)</i>				
This dimension expresses whether a particular reform is designed to increase (+) the output-based	+	+	0	Performance measurement; incentivization based on performance data
				Quality management

legitimacy of the politico-administrative system, predominantly by means of creating an ever-strong performance regime and businesslike management tools				Adoption of accrual accounting
<i>Centralization – Decentralization (Dimension E)</i>				
This dimension expresses whether a doctrine promotes decentralization (+) or centralization (-) either at the macro level of the administrative system or at the micro (organizational) level	+	-	+	Creation / proliferation (semi-) autonomous agencies / bodies
				Delegation of tasks and resources to regional or local tiers of self-government
				Frame budgeting
				“Establishment of ever more sophisticated performance indicator and target regimes, underpinned by rapidly advancing information technologies” (Pollitt – Bouckaert 2011:165)
				Preference for lean, flat, small, specialized (disaggregated) organizational forms over
				Employment of holding structures
				Centralization of regional development funds / decision making
				Amalgamation (vs. fragmentation) of ministry and agency structures
<i>Using market, network</i>				



<i>or hierarchical coordination (Dimension F)</i>				
This dimension expresses whether a particular administrative reform doctrine involves a shift towards more hierarchical (H), market (M), or network (N) coordination	-H	+H	-H	Increasing the scope and/or stringency of regulation (H)
				Merging existing government organizations (incl. local self-government units) (H)
				Nationalization of industry sectors (H)
	+M	-M	0M	Strengthening supervisory and control competencies and/or moving existing ones to higher layers (H)
				Measurement of outputs and incentivization on the basis of performance data (M)
				Separating the roles of government as purchaser and provider of services (M)
				Deregulation (M)
				User charges (M)
				Performance-related pay (M)
	0N	0N	+N	Co-design, co-planning, co-production arrangements (N)
User boards (N)				
<i>Rule of law (Dimension G)</i>				
This dimension expresses whether a particular reform	0	+	0	Strengthening FoI measures
				Ensuring appeal forums administrative / juridical decisions

strengthens the rule of law (+)				Strengthening the separation of state powers and the role of institutional checks and balances (like the Constitutional Court)
				Ensuring fair, reliable and efficient juridical procedures

Below we briefly examine the individual dimensions exposed above.

## **2.4 Explanation**

### **A) Separation of politics and administration**

This dimension expresses whether a particular reform promotes the separation of political decision-makers and civil servants. Separation is here used in the sense of whether the tasks and competencies of politicians and civil servants are clearly defined and there is no overlap between them, and that interaction between them is regulated. In modern time the separation of politics from administration was / is ensured by what is referred to as career type civil service system. While most administrative doctrines draw a clear boundary between the tasks and competencies of politicians and civil servants, there is no consensus on where this boundary should lie. Here, our concern is not where the boundary between the tasks and competencies between the two groups should be drawn, but the extent, to which these are clearly separated.

One of the most crucial claims of NPM is to promote position based civil service system instead of career based service system and thereby abolishing institutional framework separating politicians and civil servants (Bordogna 2008). To the contrary, NWS strives to (re-)create/maintain a distinct, professionally autonomous group of civil servants. With regards to NPG, we were not able to identify any significant normative claims regarding this dimension.

### **B) The state as the main facilitator of solutions to the new problems of society**

This dimension expresses the extent, to which a particular reform facilitates the state's disposal over sufficient financial and intellectual resources in order to offer meaningful solutions to the gravest social problems. If it facilitates it, it is marked with +.

In their detailed description of the Neo-Weberian doctrine, Pollitt and Bouckaert (2011:118) mention this dimension among the Weberian elements as the first, most important one. The NPM strives to roll back / downsize the state; but even in its more modest versions it tends to expect initiatives by the market actors / customers. Finally, the NPG stresses the importance of "co-" arrangements (co-design, co-production etc.) implying a distribution of tasks that is more diversified balanced among the state, the market and the civil society. We maintain this claim even if, according to several views, the coordinating role of the public sphere should remain emphatic (Bao -Wang - Larsen - Morgan 2013, Osborne 2010).

### **C) and D) Input based and output based legitimacy**

These two dimensions express whether a particular reform is designed to increase the input-based (+) or the output-based (-) legitimacy of the administrative system. Several scholars have already pointed out the need for distinguishing between input- and output-based legitimacy (Rothstein 2009, Vabo - Aars 2013).

The first dimension (C), input-based legitimacy is democratic legitimacy, which is composed of (i) democratic mandate and (ii) civic / political participation. Pollitt and Bouckaert (2011:118) mention input-based legitimacy as strongly linked to representative democracy in relation to NWS both in relation to the former (representative democracy) and the latter (participation) component. NPM implies a decreasing role of democratic chain of accountability by vesting and increasing role in market mechanisms (user/client-to-provider relationships) and contractual arrangements etc. The case is somewhat more difficult with regards to NPG: on the one hand it implies a decreasing role of democratic empowerment and traditional modes of political accountability, but on the other hand it seeks to significantly improve legitimacy by strengthening participatory elements. Therefore, in the final analysis we characterize this relationship with a “0”.

With regards to the next dimension (D), output-based legitimacy we apply a significant delimitation: here we only focus on the role of performance management and performance based incentivization and business-like management tools. This is obviously the case for NPM, for which this doctrine has been heavily criticized (Box–Marshall–Reed–Reed 2001). The case is somewhat more blurred with regards to NWS; however in the final analysis ‘a greater orientation on the achievement of results, rather than merely the correct following of procedure’ as one of the key “neo” elements of NWS means a plus sign in this table cell (Pollitt-Bouckaert 2011:119). With regards to NPG, we were not able to identify any significant normative claims regarding this dimension (although see Bao–Wang–Larsen–Morgan 2013:446-447 with regards to the efficiency increasing potential of network type arrangements).

### **Centralization – Decentralization**

In the present study, an administrative reform measure is regarded as a move towards centralization if (1) the tasks, (2) the competencies and (3) the funds (4) goal-setting and strategic planning, (5) appointments (regarding personnel), (6) organization, (7) coordination, (8) control and instruction competencies are partially or wholly transferred from a lower to an upper level of the administrative hierarchy (either within or between administrative tiers or organizations; see Hutchcroft (2001), Pollitt – Bouckaert (2011:104), and Toubeau – Wagner (2013). One typical form of centralization is the merger of agencies.

While most scholars agree that the NPM tends to favour decentralization in the sense defined above (Barzelay 2001, Hood 1991, Grüning 2001, Pollitt 1995), the situation is less clear-cut in the case of the NPG. Although several authors foresee a central role for the state within networks in the final analysis however the proliferation of network type arrangements imply, in our view, a decentralized rather than a more centralized framework for policy making and implementation (cf. Keast – Mandell - Brown 2006). The NWS doctrine, in our view, implies a clear centralization by tightening political control over administrative apparatuses and the increasing stress on the preeminence of state functions.

## **Using market, network or hierarchical coordination mechanisms**

This dimension expresses whether a particular administrative reform involves a shift towards more market, network or hierarchy based coordination.

'Market-type mechanisms are defined as "encompassing all arrangements where at least one significant characteristic of markets is present".' (Blöndal 2005:79). The study quotes three instruments leading to the strengthening of MTMs: outsourcing (contracting out), public-private partnerships (PPPs) and vouchers. Pollitt and Bouckaert (2011:10) too define MTMs in public administration by citing market-type instruments 'including competitive tendering, public sector league tables and performance-related pay'.

Network coordination operates through a closer cooperation between various, mutually dependent actors/organisations (Provan – Kenis 2008). Thus, we regard every public administration reform measure that results in a closer cooperation between the agencies of the public sphere or between the organisations of the public, the private and the civil sphere as part of the implementation of public policies and the delivery of public services as a step towards strengthening network coordination (Osborne 2010:7).

Hierarchy based coordination means a predominantly command-and-control type relationship between the coordinators and those coordinated. Examples for measures of this type are nationalization, the exclusion of the market and civil actors from the delivery of public services (e.g., from the education system), the increase and more detailed nature of directives and regulations in the entire system of public administration, and, in the final analysis, "authority exercised through a disciplined hierarchy of impartial officials" (Pollitt - Bouckaert 2011:22).

The NPM tends to propose measure strengthening market coordination, while the NWS favours hierarchical coordination and the NPG opts for network coordination (Hood 1991, Osborne 2010, Pollitt – Bouckaert 2011:99). The question of what the doctrines say about the other (secondary) two coordination mechanisms is less clear-cut. It is relatively easy to defend the claim that NPM strives to lessen the role of hierarchy based instruments ("-"); in relation to network instruments we see no significant normative claims ("0"). Further, NWS is rather neutral in relation to MTMs as well as HTMs (cf. the figure on Pollitt-Bouckaert 2011: 25). Finally, NPG weakens (though does not reject) the idea of HTMs ("-") while having no clear position regarding MTMs ("0").

## **Rule of law**

This dimension expresses whether a particular reform measure strengthens the rule of law (+).

The definition of rule of law follows the one specified by the United Nations (UN 2004:4): "[Rule of law is] a principle of governance in which all persons, institutions and entities, public and private, including the State itself, are accountable to laws that are publicly promulgated, equally enforced and

independently adjudicated, and which are consistent with international human rights norms and standards. It requires, as well, measures to ensure adherence to the principles of supremacy of law, equality before the law, accountability to the law, fairness in the application of the law, separation of powers, participation in decision-making, legal certainty, avoidance of arbitrariness and procedural and legal transparency”.

The concept of rule of law is central to NWS (Pollitt - Bouckaert 2011:118). In contrast, neither the main features of the NPM doctrine (Barzelay 2001, Hood 1991, Pollitt 1995), nor of the NPG doctrine imply that these models promote the strengthening of the rule of law as a direct goal (Bao - Wang - Larsen - Morgan 2013:453). However, both contain elements that certainly indicate that these doctrines too prefer a strong rule of law.

### **3 Hungarian subnational governance reforms 2010-2014**

#### ***3.1 Brief description of the Hungarian subnational governance reforms***

The FIDESZ-led Centre-Right government in power since 2010 has significantly reorganized subnational public governance. Similarly to the other reforms affecting policies, these sweeping reforms reflected a marked change in the set of values behind the operation of the Hungarian state (Pálné Kovács 2013). The structural reorganizations undertaken by the second Orbán cabinet can be best characterized as indicating a powerful tendency towards centralization (Kornai 2013). Following the elections, the government implemented a series of forceful measures for restructuring public administration, which were simultaneously set down in strategic documents (MPAJ, 2011, 2012). The cabinet’s two-thirds majority in Parliament and the weak resistance put up by professional bodies and civil organisations as well as the opposition provided sufficient political leeway for the government to swiftly and smoothly implement the measures – which can without exaggeration be termed radical – affecting the public administration system. The reforms of the administrative system are coherent with the reforms affecting other social spheres such as drafting a new Constitution, the reform of the judiciary, the government’s measures to transform Hungary’s economic system, the reforms affecting individual policy areas (healthcare, public education, higher education, labour policy, social policy), the regulation of the media and the transformation affecting the free flow of information, the reform of the pension system, the modification of the competency of the Constitutional Court and the ombudsman’s office, and the amendment to the law regulating political campaigning.<sup>6</sup>

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<sup>6</sup> The government’s legislation elicited a strong international response. The European Parliament reacted to the Hungarian government’s measures by accepting the report prepared by Rui Tavares (2013). Many studies contended that certain reforms implemented by the Orbán cabinet undermined the rule of law in Hungary, the efficient operation of a market economy and the legitimacy of the political system. These systemic reforms represent the general framework of the reform measures affecting the Hungarian administrative system. The detailed description of these reforms would exceed the scope of this study; in addition to the Tavares Report, readers are referred to the following works: Bajomi-Lázár (2013), Bozóki (2012), Hajnal (2013), Kornai (2013), Lengyel-Ilonszki (2012), Pálné Kovács (2011), Pogány (2013). The studies in the Law Working Papers of 2014 published by the Institute for Legal Studies of the Hungarian Academy of

*Table 3* presents the most significant changes at the subnational level, having taken place within this broad scene of radical reform. Note that a number of measures listed here did not particularly focus on the subnational administration, but, rather, effected the entire system of public administration. Nevertheless, these reforms had a major impact on how subnational governance operates and thus they shall be briefly covered here too.

The reform measures listed here are not of equal significance. Some of the reforms listed here have transformed the position of entire sectors within public administration (e.g., the transferral of the public education system from the local governments to the central government), some have had an impact on the structure of public administration (e.g., the transferral of tasks performed by the local governments to the deconcentrated administrative bodies), while others still affect the budget, the human resource management and strategic direction of administrative organisations.

Our goal here is to provide an overview of the main traits of the SGRs (RQ1) and to seek an answer to the question of whether the reform package containing a mixture of diverse elements points towards a coherent government doctrine (RQ3).

*Table 3* also lists reform measures that appear in column 2 of *Table 2*, where they appear as an instrument, which can effectuate a shift in one or another direction regarding a certain dimension. In this table, however, we have also indicated the direction of the shift through the use of a particular instrument in knowledge of the Hungarian political, economic and social context as well as the *de facto* implementation of the reform.

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Sciences offer a rigorous analysis of the systemic reforms of the Orbán cabinet, with the overwhelming majority sharply criticising the reform measures on professional grounds (<http://jog.tk.mta.hu/mtalwp>).

Table 3. Most significant changes at the subnational level in Hungary between 2010-2014

No.	Reform steps <sup>7</sup>	Dimensions						
		Dim. A	Dim. B	Dim. C	Dim. D	Dim. E	Dim. F	Dim. G
Public administration reforms focusing on the subnational levels								
1	Take-over of key local public services (schools, hospitals) and administrative services from local self-governments and transferring them under newly created central single-purpose agencies			-		-	<b>+H</b>	
2	Establishment of County (Metropolitan) Government Offices					-	<b>+H</b> <b>-N</b>	
3	Centralization of public service provision from local self-government level to District Government Offices	-				-	<b>+H</b> <b>-N</b>	
4	Centralization of regional development institutions		+			-	<b>+H</b> <b>-N</b>	
5	Transferring all public service institutions / tasks from county self-			-		-	<b>+H</b> <b>-N</b>	

<sup>7</sup> A brief description of each step can be found in Appendix 1.



	governments to central state agencies							
6	Nationalization of public utility companies (take-over from local governments and foreign investors)		+			-	<b>+H</b> <b>-M</b>	-
7	Modification of the local government electoral system (“gerrymandering”)							-
8	Compulsory amalgamation of LG offices					-		
9	Radical transformation and decrease of local government funding / borrowing					-		
10	Cutting public utility fees by means of stringent price and service regulations		+		-	-	<b>+H</b> <b>-M</b>	
Public administration reforms focusing on the entire public administration system (including the subnational level)								
1	Sweeping wave of mergers affecting all central and middle tier government organizations					-	<b>+H</b> <b>-N</b>	

2	Individual performance assessment system for civil servants				+		<b>+M</b>	
3	Adoption of accrual accounting in public administration				+			
4	Radical elimination of career type civil service system and the employment/retirement conditions of public servants	-					<b>+H</b>	-
5	Strong decrease of the scope / strength of freedom of information measures			-				-
6	Weakening Unions' role by different measures, incl. creating a National Body of Government Servants						<b>-N</b>	
7	Radical weakening of the institution of public referendum (local & national level)			-			<b>-N</b>	

Below we summarize, one by one, the findings established in the above table.

- A) Separation of politics and administration: There are two very weighty measures acting towards the elimination of separating politics from administration. These measures however, in all, eliminated practically all important elements of a career based civil service (for more details see Hajnal – Csengődi 2014:49). At the same time there are no measures strengthening the separation of these two realms. The legislation concerning the civil servants unmistakably reflects the expectations of the political elite that employees in public administration be loyal to the political leadership. At the subnational (county and district) level, the blurring of the boundary is also reflected by the fact that the heads of County and District Government Offices are oftentimes active government party politicians and that political experience is sufficient for appointment to the leading position of the county district agencies. In sum this results in a “-“ for this dimension.
- B) In the case of the “state role” dimension we find three measures affecting this dimension, both of which strengthen state involvement. Although the importance of the nationalization of large segments of different public utility sectors is hard to overestimate, we emphasize however that on the national level there are a large number of important additional reforms, shifting state involvement towards a larger-than-ever level. In sum this results in a “+“ for this dimension.
- C) In terms of input based legitimacy we find four measures weakening input legitimacy and no measures strengthening it. Note that moving policies / tasks further away from local citizenry *ceteris paribus* means, in our view, that participatory elements of state operation are weakened and thus input based legitimacy decreases. In sum this results in a “-“ for this dimension.
- D) At the same time, the government has implemented two measures aimed at increasing the performance of government by means of business-like instruments and performance management tools, and one measure decreasing the role of such elements. In sum this results in an ambiguous position denoted by “0“ for this dimension.
- E) In relation to the centralization–decentralization dimension the spectacular pattern we found is that most (in terms of “sheer numbers” ten out seventeen ) of the reforms involve a definite element of centralization, which we believe to be the perhaps most salient feature of post-2010 subnational governance reforms. Even though most Western and Northern European as well as Anglo-Saxon countries have likewise introduced a number of centralization measures in the wake of the crisis, the radicalism of the Orbán government in this respect is especially striking. In sum this results in a “-“ for this dimension.
- F) In relation to the type of coordination instruments the pattern of changes is surprisingly unanimous: out of the altogether 19 “observations” there is only one deviating from the general pattern, which is: more hierarchy (9 cases), less network (7 cases) and less market (2 cases). These figures should be appreciated in the light of the fact that governmental coordination had already been excessively bureaucratic and lacked network or especially market type instruments almost entirely (see also Hajnal – Kovács 2013). In sum this results in a “+“ for Hierarchy, “-“ for Market and “-“ for Network type coordination.
- G) With regards to the rule of law dimension we find four measures weakening the rule of law while, at least among the SNG related reform steps, we found no components

strengthening it. Despite the low number of administrative laws with an impact on the rule of law, the Orbán government coming into office in 2010 came under heavy international pressure owing to the violation of the principles of the rule of law (although most of these issues were related to the national, rather than subnational, level; e.g. the nationalization of the private pension funds, the 98% tax on severance pays introduced retroactively. In sum this results in a “-“ for this dimension.

## 4 Results

### 4.1 Summary findings

Table 4 presents the comparison of the patterns of the doctrines (NPM, NWS, NPG) and of the Hungarian subnational administrative reforms analyzed here in relation to the dimensions of our analytical framework. The first three columns are identical with the respective columns of Table 1, while the last column represents the findings established in the previous section.

The key findings are indicated as follows. A green tick mark signifies a correspondence between the empirical reality of Hungarian SGR and the given doctrine (along the respective dimension) whereas a red “X” denotes a contradiction. If either one of the two table cells contains a “0” – meaning that no unanimous claim could be formulated – then no sign is indicated in the given cell.

Table 4. Comparison of the patterns of the doctrines (NPM, NWS, NPG) and of the Hungarian subnational administrative reforms

Dimensions of PA reforms	NPM	NWS	NPG	Hungarian SGR
A) Separation of politics and administration	✓ <sub>-</sub>	✗ <sub>+</sub>	0	-
B) State as the main facilitator of solutions to the new problems of society	✗ <sub>-</sub>	✓ <sub>+</sub>	✗	+
C) Input based legitimacy	✓ <sub>-</sub>	✗ <sub>+</sub>	0	-
D) Output based legitimacy (use of performance management and businesslike instruments)	✗ <sub>+</sub>	✓ <sub>+</sub>	✗ <sub>0</sub>	0
E) Decentralization	✗ <sub>-</sub>	✓ <sub>+</sub>	✗	-
F/1) Coordination mechanisms: Hierarchy	-	+	-	+
F/2) Coordination mechanisms: Market	✗ <sub>+</sub>	0	0	-
F/3) Coordination mechanisms: Network	0	0	✗	-
G) Rule of law	0	✗ <sub>+</sub>	0	-

As the above table shows most of the time it was possible to reach an unanimous conclusion regarding the correspondence/contradiction between doctrinal claims and the empirical reality of SGRs. The overall pattern suggests that SGRs do not closely match either one of the three doctrines. We find two elements shared with NPM, namely the weakening of the separation between politics and administration, and the weakening of classical, democratic legitimacy of politico-administrative institutions. Interestingly, it is exactly these two tenets of NPM that were over the past years criticized the most heavily (see e.g. Box – Marshall – Reed – Reed 2001).

Even though the Hungarian government is, on the level of rhetoric at least, committed to the Neo-Weberian doctrine (MPAJ 2011, 2012; Stumpf-G. Fodor 2008; for a critical review however see Hajnal-Pál 2013), its practice markedly diverges from its principles. While the Neo-Weberian doctrine advocates the separation of the tasks and competencies of politicians and civil servants, the Hungarian reforms thrust public governance in exactly the opposite direction. Another important deviation is found in relation to strengthening input based legitimacy since Hungarian reforms tend to weaken rather than strengthen this aspect. Finally, the Hungarian subnational governance reforms, quite significantly, run counter to the NWS principle of strengthening the rule of law, too.

It is spectacular though less surprising that there is absolutely no match/overlap between the NPG doctrine and the Hungarian governance reforms as the two point in opposite directions in relation to every relevant dimension.

## **4.2 Conclusions**

In the light of the above, we may contend that the Hungarian subnational governance reforms do not conform to any one of the most widespread public administration doctrines as described in the academic literature. Still, the Hungarian subnational governance reforms introduced after 2010 reflect a very coherent vision of a state model - a doctrine that envisions a powerful state role in defining and solving social problems based on the strong concentration of state resources. Importantly, a similar finding was reached by Hajnal (2014): in a comparative questionnaire survey of senior civil servants Hungary stood out as the country where (post-2010) public administration reforms were, according to respondents' views, the most coherent, politically driven and top-down implemented.

This coherence, in our view, is a spectacular feature of the pattern revealed by Table 4, too. The particular, idiosyncratic pattern of governance reforms, to which Hungary, along with other Central and Eastern European ("New Member") States of the EU seem to move, was over the past years labeled with different notions. "Illiberal turn" (Zakaria 1997, 2007; the symposium in the 2012 July issue of the Journal of Democracy, e.g. Rupnik 2012, Bánkuti 2012) and "populist backlash" (Rupnik 2007) are some of the more frequently used ones.

What are the central features of this paradigm – as it appears on the level of reforming subnational governance?

Firstly, in our view, we should break away from the idea that the features and patterns representing a deviation from, or even a sharp conflict with, consensual Western values of democratic governance constitute some sort of an unintended error, a lack of capacity and ability of the power centre to exert control (such a view having appeared frequently and the CEE areas studies since the transition; see e.g. Gajduschek – Hajnal 2003, Liu 2003, VanDeveer – Dabelko 2001). Rather, as we argued above, the key emerging features of subnational governance are driven by top level political will, are carefully crafted and

thought-out, and are implemented in an instrumentally rational, top-down manner (notwithstanding the circumstance that there may, of course, be mistakes and errors committed in this process as a result of insufficient policy design and implementation capacity). It is indicative in relation to this purposive, paradigmatic nature of the emerging pattern of subnational governance that in a public speech held on 28 July 2014 Prime Minister Viktor Orbán himself called the new, envisioned state model an „illiberal state” (Orbán 2014; for a review and evaluation see e.g. Brouillette’s article in the August 21 issue of *Foreign Policy*<sup>8</sup>)

Secondly, at the core of this new paradigm we find the notion of a strong state. The other social spheres such as the business and the civil spheres are accorded a subordinate role and thus their manoeuvring room shrinks, decreasing the chances of these two spheres to offer a meaningful alternative for solving the raised problems. The political decision making as well as the public administration system is highly centralized (probably more than ever, including the pre-transition decades of Socialism) in order to ensure that the goals set by political leaders are efficiently executed. Bodies with an autonomous government are relegated into the background and the very system of self-government loses its significance and becomes an empty shell. Instead of decentralization, the main principle of the subnational governance system becomes deconcentration, which is able to efficiently mediate the will of the central governance, but is exclusively cast in the role of executing that will. Political decision-makers harbour a deep mistrust towards civil servants and thus a higher value is set on political loyalty than on professional competence. The entire system of public administration becomes politicized and dependency on political leaders becomes stronger.

In this new, (central) state-centered world the primary sources of legitimacy change too: the provision of efficient and effective services to citizens should fill the legitimacy gap created the weakening rule of law and citizen / interest group participation.

In sum, while this state model may not abolish democracy either the market economy, it does significantly transform – one may possibly say: distort – both. A state model characterized by these elements is labelled illiberal governance – and it seems likely that the populist leaders of the post-communist countries will find this form of governance highly attractive.

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<sup>8</sup>[http://www.foreignpolicy.com/articles/2014/08/21/the autocrat inside the eu viktor orban hungary illiberal state](http://www.foreignpolicy.com/articles/2014/08/21/the_autocrat_inside_the_eu_viktor_orban_hungary_illiberal_state), last accessed 25 Aug 2014)

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## 6 Appendix

Public administration reforms focusing on the subnational levels

### 1) **Take-over of key local public services (schools, hospitals) and administrative services from local self-governments and transferring them under newly created central single-purpose agencies.**

Sectoral direction centers were created in healthcare, public education, social services, water management, the background institutions of public administration, disaster management, state employee vacation management and the archives network, which in many cases were vested with operational competencies over service organizations (schools, health care facilities etc.) previously not overseen centrally.

### 2) **Establishment of County (Metropolitan) Government Offices**

These are the deconcentrated organs of the central administration (Act CXXVI of 2010, Government Decree 288/2010 (XII. 21)). The offices represent and execute as part of their competence the will of the central government. In addition to the tasks and competencies of subnational governance, these offices are also vested with the control over the field offices seventeen different sectoral agencies (although the professional control over these field offices continues to be exercised by the central office). In addition, the government exercises the legal supervision of local governments through the County (Metropolitan) Government Offices, which are headed by government commissioners, who are expressly political figures (oftentimes MPs of the governing party, etc.). The government offices maintain integrated client service points called "Government Windows" where many different types of public administration procedures are handled (Hajnal–Kovács 2014)<sup>9</sup>.

**3) Centralization of public service provision from local self-government level to District Government Offices**

Acting as the district organs of the government offices are the district offices, which have taken over the public administration tasks formerly performed by the local governments.

**4) Centralization of regional development institutions**

The county local governments are formally responsible for regional development. The central coordination of the county concept planning is performed by the Department of Territorial Development of the State Secretariat for Planning Coordination of the Ministry of National Economy. The review and control of the prepared county documents is performed by the Office for National Economic Planning. The regional development agencies were transferred into state ownership under the control of the Ministry of National Development. The National Development Agency was integrated into the Prime Minister's Office. The summit decision-making organ of regional development is the Government Commission of National Development, which has five members.

**5) Transferring all public service institutions / tasks from county self-governments to central state agencies**

Hospitals and public educational institutions have been transferred from maintenance by local governments to maintenance by the state. Institution maintenance is performed by the sectoral control organ described under No. 1. Hospital and school directors are directly appointed and dismissed by the minister directing the sector.

One of the most important tasks of the counties was the maintenance of various institutions. These were transferred to the state for maintenance. The tasks relating to regional development are formal at best because the counties do not dispose of the required resources to actually perform these tasks.

**6) Nationalization of public utility companies (take-over from local governments and foreign investors).**

Nationalization of public utility companies (take-over from local governments and foreign investors): Public utility companies have been nationalized. Nationalization is continuous. The government is buying back the foreign shares in these companies, while in Budapest, the government is taking over the shares from the municipal government. In some cities (such as Pécs), the shares of the foreign owner are taken over by the local government.

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<sup>9</sup> Kovács É. - Hajnal Gy. (2014). 'Government Windows': One-Stop Shops for Administrative Services in Hungary. In: Laegreid P. et al (eds.) Organizing for Coordination in the Public Sector. Practices and Lessons from 12 European Countries. Basingstoke; New York: Palgrave, Chapter 20.

**7) Modification of the local government electoral system (“gerrymandering”)**

Modification of the local government electoral law: Legislation on local government elections was amended in two steps (Act L of 2010 and Act XXIII of 2014). The main changes are as follows: Five-year terms instead of the earlier four-year terms. The number of local government representatives decreased (fewer are elected from the compensation lists). The number of recommendations necessary for running for mayor was modified. The Budapest local government electoral law was transformed: in addition to the mayor, the Budapest Assembly is made up of the twenty-three district mayors and nine representatives from the compensation lists.

**8) Compulsory amalgamation of LG offices**

Introduction of the option that a law may stipulate that mandatory local government duties be performed in a partnership (Paragraph 2 of Article 34 of the Fundamental Law). Independent mayors’ offices in settlements with less than 2000 inhabitants have been closed down.

**9) Radical transformation and decrease of local government funding / borrowing**

The previous form of compensatory mechanism was abolished. Introduction of task-oriented funding. The revenue sources of local governments have been transformed and reduced (their competencies have also been reduced). Government approval is necessary for a local government to take out a loan (Paragraph 5 of Article 34 of the Basic Law). The state has bailed out debt-ridden local governments in several steps.

**10) Cutting public utility fees by means of stringent price and service regulations**

One of the most obvious examples is the government-mandated cut in household utility bills (electricity, gas, waste management, district heating): the government strongly interfered in market processes (price regulation) and declared that its goal is to nationalize the public utility companies.

Public administration reforms focusing on the entire public administration system  
(including the subnational level)

**1. Sweeping wave of mergers affecting all central and middle tier government organizations**

Introduction of so-called summit ministries: Maintenance of eight ministries (nine after 2014). These ministries have tasks and competencies that lack transparency and are difficult to coordinate; very often, areas competing which each other for the same central resources have been placed under the control of the same minister. The goal of the reform was the transformation of the governance structure into a more centralized, French and partly Anglo-Saxon type ministerial system (Navracsics 2013) and to increase the government’s political room to manoeuvre (G. Fodor 2011:10-11).

**2. Individual performance assessment system for civil servants**

Government decree 10/2013 (I. 21) on individual performance assessment in the civil service stipulates that the performance of civil servants will be assessed according to a uniform performance assessment system.

**3. Adoption of accrual accounting in public administration**

Adoption of accrual accounting in public administration: Government decree 4/2013 (I. 11) on the state budget accounting system points towards a shift to accrual accounting.

**4. Radical elimination of career type civil service system and the employment/retirement conditions of public servants**

The main changes based on Act CXCIX of 2011 on civil servants: The regulations on dismissals were simplified. Although the Constitutional Court annulled unexplained dismissal, the law stipulates that a civil servant can be dismissed on grounds of unworthiness of office or loss of superior's confidence. The trade unions have voiced their concerns over the politicization of public administration career paths.

**5. Strong decrease of the scope / strength of freedom of information measures**

**6. Weakening Unions' role by different measures, incl. creating a National Body of Government Servants**

The National Body of Government Servants (MKK) is a professional interest representing organ with a self-government of government servants (Act CXCIX of 2011, Paragraph 6, Point 22). Membership for government servants is mandatory. It has a consultational and interest representation role, and actively participates in the formulation of professional and ethical norms. An interest representation organ, the Hungarian Civil Servants and Public Employees Trade Union, also existed before the creation of MKK; however, the government has weakened its role by creating MKK.

**7. Radical weakening of the institution of public referendum (local & national level)**

Major changes: (1) The validity of a national referendum requires a 50%+1 voter turnout. (2) Abolishment of consultative referendums. (3) Abolishment of national popular initiatives. (4) Prohibition of referendums on the Constitution. (5) Exclusion of election laws from referendums. (6) Abolishment of the right of initiating a referendum by one-third of the MPs.